



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2011 Biennium

Bill #	HB0363	Title:	Use retired teachers/administrators to fill vacancies without applicants
Primary Sponsor:	Jones, Llew	Status:	As Introduced

Retirement Systems Affected: ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
☒ Has the cost of this legislation been calculated by the system's actuary?
☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2008 Current System	July 1, 2008 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$3,953,700,000	\$3,953,700,000	\$0
Present Value of Actuarial Assets	\$3,159,100,000	\$3,159,100,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$794,600,000	\$794,600,000	\$0
Amortization Period (years) of UAAL	31.30	31.30	0.00

	July 1, 2008	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012
Employee Contribution Rate	7.15%	7.15%	7.15%	7.15%	7.15%
Employer Contribution Rate	7.47%	7.47%	7.47%	7.47%	7.47%
State Contribution Rate	2.11%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	16.73%	17.11%	17.11%	17.11%	17.11%

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
Other - Pension Fund	\$25,000	\$0	\$0	\$0
Revenue:				
Other - Pension Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: Under certain restrictions, Teachers Retirement System (TRS) retirees with 30 or more years of service will be eligible to be employed on a full-time basis by a school district without the loss or interruption of TRS retirement benefits.

FISCAL ANALYSIS

Assumptions:

- Subject to the following restrictions, and previous experience with a similar bill adopted during the 2003 legislative session, the cost, if any, associated with this proposal would not be material and would round to less than 0.01% of pay.
 - The member has been separated from service for two months.
 - The member completed 30 or more years of service before retirement.
 - The position was advertised and the employer was unable to fill it with a qualified non-retired teacher. In addition, the position will be advertised in each future year.
 - TRS would continue to collect full 17.11% of the salaries of retirees working under this proposal.
 - Retirees working under this proposal would not have any increase to their benefits due to service or salary while working under this arrangement.
 - The maximum number of years a retiree could be reemployed in a full-time position during their lifetime would be three years.
 - The proposal includes a sunset date of July 1, 2015.
- The actuarial analysis included in this fiscal note is based on the data, methods, assumptions and plan provisions contained in the actuarial valuation of the system performed as of July 1, 2008. No gains or losses from asset or liability experience after that date are included. This analysis assumed this is the only statutory amendment being considered. If other provisions are enacted, the actuarial impact associated with this proposal may be different.
- The cost to modify the TRS database, wage and contribution reporting, and pension administration systems will not exceed \$25,000.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$25,000	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
Other - Pension Fund	\$25,000	\$0	\$0	\$0
<u>Revenues:</u>				
Other - Pension Fund	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Other - Pension Fund	(\$25,000)	\$0	\$0	\$0

Effect on Local Governments:

1. The number of retirees who may be hired into full time positions under this proposal cannot be determined, therefore, it is not possible to calculate what if any cost school districts may incur.

Long-Term Impacts:

1. It is not possible to exactly determine the portion of changes in future member behavior that might occur due to this proposal; therefore, the ultimate cost will be heavily dependent on how the proposal changes active and retired members' behavior.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date